

# VALLEY NEWS

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## Editorial

### **Saving for Retirement**

Vermont Treasurer Jeb Spaulding, who has done a good job of alerting the state about potential long-term problems in public employee pension plans, is now trying to focus attention on a more widespread concern. Stated simply, it's that not enough people are making financial preparations for retirement. Spaulding last week introduced an intriguing proposal that holds promise for encouraging more Vermonters to start putting away some money.

Much of the problem, of course, is that Americans are generally much better at spending than they are at saving. According to a recent report from the U.S. Commerce Department, the nation's savings rate is now at the lowest point since the Depression. In fact, the term "savings rate" doesn't describe what is happening. Overall, Americans are spending more than they're saving.

About one quarter of current retirees depend exclusively on Social Security for their retirement needs, and almost two-thirds use it as their primary source of income. Since its inception, Social Security has been a remarkably effective program at easing the financial burdens of old age, but it is generally not enough. Long-term financial problems predicted for the program indicate that it is likely to prove increasingly inadequate. Unless Americans are induced to do a better job of saving for their retirement, they're likely to seek additional government help.

For some, the failure to save stems from inadequate income or, far different, inadequate control of spending. But there's also ample evidence that some Americans aren't saving simply because they don't have the ready opportunities that others do. According to the Vermont Treasurer's office, about 80 percent of all people who are given the opportunity to save money through employer-sponsored plans take advantage. That's not just because there often are financial incentives (tax deferrals and, in many cases employers' contributions) but also because it's convenient. Money can be contributed regularly through payroll deductions and invested by professional financial-management companies that offer a variety of investment options.

One of the problems in Vermont is that a sizable percent of the work force is employed by small companies, and small companies are much less likely to have set up employee savings plans.

Spaulding's solution: Make it easier for companies to offer that option. He proposes to do that by inviting employers to piggyback onto the system already established for public employees. A small company that wished to allow its workers to put money aside in 401(k) plans could spare itself the burden of making the arrangements by plugging into the plan set up for state and municipal employees. Employees would have a several investment options to choose from, and employers could also opt to make contributions to those accounts. In any case, it would be entirely voluntary for both employers and employees. Spaulding also wants the state to offer an IRA plan for those who are self-employed or whose employers don't participate in the other plan. Spaulding said the program can be offered at little or no cost to Vermont taxpayers because the extra administrative costs would be borne by participants in the form of fees.

The plan cannot be made available until Spaulding gets legislative approval. That its prospects are good was indicated by the presence of strongly supportive lawmakers from the Republican, Democratic and Progressive parties at his press conference last week. But that's as it should be for a common-sense plan that addresses an important and, until recently, little recognized need. Working out the details might prove more challenging than sketching out the plan's basic shape, but Spaulding deserves much credit for taking the initiative.